An Economic Evaluation of Public Investment in Tourism Marketing

Council of Economic Advisors, Del Norte County
March, 2006

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Introduction

In communities across the nation, the issue of public investment in tourism marketing has become a prominent topic of conversation. In Del Norte County, tourism investment has been discussed in meetings of many organizations, including the Chamber of Commerce, the City of Crescent City, the County of Del Norte, and the Tri-Agency Economic Development Authority[1].

Over the past two years, a significant amount of research on tourism investment has been conducted on a national level, guidelines have been drafted, and best practices have been developed. These national research efforts reflect the need of many communities with travel and tourism industry assets to answer a primary question:

Is tourism marketing a valid public investment?

Del Norte County has many top-ten travel and tourism industry assets, including outdoor activities, rural sightseeing, beaches, historic places, gambling, and national/state parks. Acknowledging these assets, the 2002 Del Norte County Jobs/Housing Balance Strategy made a recommendation for the community to:

- Expand public investments in tourism promotion;
- Expand the tourism promotion budget to at least $200,000 per year;
- Increase the County Transient Occupancy Tax (TOT) rate from 8% percent to 10%; and
- Organize a Del Norte County Visitors Bureau.

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[1] *The Tri-Agency Economic Development Authority is comprised of two representatives each from the Harbor District, the City of Crescent City, and the County of Del Norte.*

The Tri-Agency Economic Development Authority has since requested the Council of Economic Advisors[2] to answer two questions:

1. Is investing public TOT funds in tourism marketing a fiscally prudent use of these funds in Crescent City and Del Norte County?

2. What performance measures should be implemented to determine the success of the investment if it were made?

This white paper was prepared in response to the Tri-Agency's request. It is organized in the following manner:

Part I: Validating the Case for Public Investment

- Reviews our community's organizational goals to promote the successful expansion of the tourism industry;
- Discusses the travel and tourism industry resources for evaluation;
- Identifies our community's baseline; and
- States the economic position.

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Part II: The Chamber as a Destination Marketing Organization

- Considers the merits of the Crescent City/Del Norte Chamber of Commerce as a DMO for the community;
- Identifies potential activities and partnerships.

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Part III: Using Industry Standards for Evaluation

- Outlines the critical importance of establishing performance measures;
- Makes recommendations on appropriate performance measures for Del Norte County;
- Provides specific guidelines for calculating Return On Investment.

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[2] *The Council of Economic Advisors is an official advisory group to the Tri-Agency Economic Development Authority.*

The Council of Economic Advisors holds the position that investment in the travel and tourism industry is likely to increase tax revenues beyond the initial public investment. The Crescent City/Del Norte Chamber of Commerce should be the DMO designated as the recipient of the public funds. As the DMO, the Chamber should prepare and implement an advertising and marketing plan and it should employ industry standards for measuring Return On Investment as outlined in this white paper.

Part I: Validating the Case for Public Investment

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Promoting the Expansion of the Tourism Industry

The Tri-Agency's economic vision for the County of Del Norte is:

> *To develop a sustainable economic base by retaining, expanding and attracting new business by balancing the needs of both the business and residential communities while considering the effects of economic development on the environment of our unique Redwoods and coastal community.*

A key Tri-Agency goal for meeting this vision is to:

> *Promote the successful expansion of the tourism industry.*

The major governmental, economic, and civic organizations in the City of Crescent City and County of Del Norte all have endorsed this goal. For example, it was included in the 2003-04 Community Economic Development Strategy approved by the Council of Economic Advisors and adopted by the Del Norte County Board of Supervisors on April 27, 2004.

In addition, the Crescent City/Del Norte Chamber of Commerce reports it has "led a campaign, supported by tourism-oriented businesses, to convince city and county governments to invest a portion of their Transient Occupancy Tax revenue into a $225,000 comprehensive tourism marketing program."

Many communities establish a Destination Marketing Organization (DMO) is to market their destinations to visitors. DMOs make consumers aware of the existence of their destination, and of what it has to offer in attractions, services, and value. They typically achieve this by media coverage, advertising, and a variety of promotions. Often they do so with the help of public funding, provided under the rationale that increased visitation will bring spending and in turn generate tax revenues, paying back the public investment. Frequently, those public funds are raised by special taxes or fees imposed on the hospitality industry, usually with industry support.

In order to quantify whether public investment in tourism marketing is an effective and desired goal for Del Norte County, and whether we should set up a DMO, we must first establish a baseline and evaluate the progress already made toward expansion of the region's tourism industry.

Industry Resources for Evaluation

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State and national tourism industry professionals have developed standards to measure and evaluate the economic impact of tourism. These standards are used throughout this white paper. Tiffany Urness, research manager for the California Travel and Tourism Commission, provided consultation. She is a national leader in the travel and tourism industry.

Measuring Travel Spending

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Spending by travelers to Del Norte County is tracked through two means: (1) the county's annual receipts from the Transient Occupancy Tax; and (2) an annual statewide study, California Travel Impacts by County, prepared by Dean Runyan Associates.

California Travel Impacts by County shows the level of spending by those traveling to and through the state, and the impact this spending has on the economy in terms of earnings, employment, and tax revenues in the state and in individual counties. California Travel Impacts is a fact-based, data-driven document that has the official state impact data provided and disseminated by Governor Arnold Schwarzenegger; the California Business, Transportation and Housing Agency; and the California Travel and Tourism Commission, Division of Tourism.

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Evaluating Performance

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Accountability for the use of public funds is critically important to Destination Marketing Organizations, as it justifies their continued existence. DMOs must assure stakeholders that they are operating effectively and accomplishing their intended purpose in terms of increased visitation, visitor spending, and/or tax revenue. Stakeholders typically want this evidence quantified.

In response to stakeholder expectations, a body of generally accepted accountability practices for DMOs has been developed, drawn from a variety of sources: private sector practices; accountability research; and the fields of travel and tourism research, marketing, and organizational behavior. The most comprehensive compilation to date of accountability practices for DMOs, most often Convention and Visitors Bureaus (CVBs), is "Standard CVB Performance Reporting: A Handbook for CVBs"(hereafter referred to as the Handbook). The Handbook was adopted by Destination Marketing Association International in July 2004.[3]

"Best Practices for Measurement of Destination Marketing ROI: The hallmarks of good studies and the generally accepted practices that produce them" (hereafter referred to as Best Practices) is a companion piece to the Handbook, designed to support widespread awareness of its accountability practices and promote ease of use by state and provincial-level DMOs. Extensive review of the Handbook by state and provincial travel researchers confirms that most of the guidelines for evaluating, calculating, and reporting performance recommended for CVBs in the Handbook are applicable to state and provincial DMOs.

Best Practices recommends that we use fact-based resources such as California Travel Impacts to track growth or decline in the regional tourism industry, but such overall measures of the regional tourism

[3] The *Handbook* has undergone several updates. The most recent version is available online at: www.destinationmarketing.org

industry are influenced by broad economic factors like state and nation disposable personal income, employment and consumer confidence, that regional impacts are poor measures of specific marketing effectiveness.

Comparisons have been a focus of many local conversations about the validity of tourism marketing as a public investment. In comparing our results to those of other areas, Best Practices warns:

- *Comparing Return On Investment [ROI] results of different Destination Marketing Organizations is unlikely to yield meaningful indications of the relative success of their marketing activities because of the great number of variables other than marketing that may be responsible for the results. Even similar-appearing results may be simply coincidental.*
- *Comparing ROI results of different campaigns or activities of the same Destination Marketing Organization over several years has limited validity because of the difficulty in controlling for "all things being equal."*
- *The difficulty is one of controlling (all variables) in order to make valid comparisons, and being able to attribute advertising and marketing activity as being responsible for observed change.*

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When asked, Tiffany Urness reiterated that comparisons yield limited meaning.

Best Practices also recommends restricted use of ROI measurements:

> *Return On Investment is activity-specific, time-sensitive and past-oriented. Predictions or forecasts of future ROI should be undertaken and interpreted with extreme caution, due to the current lack of industry standards, norms, and validation of destination ROI forecasts; the difficulty of controlling for "all things being equal" in order to make valid comparisons, and being able to attribute advertising and marketing activity as being responsible for observed change. Destination Marketing*

Organizations should not sum or average the ROI of different types of marketing activities.

ROI should only be calculated from the results of specific activities and campaigns over an initial time frame, and compared with resulting visitation attributable to those activities during a subsequent time frame. The rationale for the time frames used should be stated.

This caution is especially relevant to Del Norte County in light of recent developments, including the plan by the Elk Valley Rancheria to invest $2.2 million in marketing during its first year of operation.[4] This is only a single example of unlimited potential variables, including other private enterprise marketing, rising and falling fuel prices, and natural disasters.

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[4] As stated at the recent Crescent City/Del Norte Chamber of Commerce Annual Economic Summit by Elk Valley Rancheria spokesperson Shawn Ellis.

Baseline, Spring 2006

Recent market data indicates that limited progress has been made toward the goal of expanding tourism in Del Norte County.

California Travel Impacts by County reports that Del Norte County is last in tourism growth among the 57 counties in California in terms of average annual percentage change over the past 10 years. California Employment Generated By Visitor Spending from 1992 to 2003 is negative 1.3%—the lowest among California counties. Del Norte County lost tourism jobs over the past decade during a period of statewide tourism growth. California Travel Spending By County growth from 1992 to 2003 is 2.0%, which ties for the lowest in growth in California. (Note: Humboldt County also lost tourism industry jobs during this same time frame even though its growth rate was higher than the growth rate in Del Norte County.)

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Travel Impacts by County, Del Norte

1992	1998	1999	2000	2001	2002	2003
Total Direct Employment Generated by Travel Spending 270 Fewer Jobs						
2,030	2,890	2,030	2,060	1,990	1,790	1,760
Total Direct Tax Receipts Generated by Travel Spending (Million)						
3.6	4.3	4.6	4.7	4.8	4.9	5.0
Travel Spending by County, Del Norte 2.0 Annual Change						
68.2	73.8	79.2	81.4	82.6	84.1	84.9

California's 66.5% average occupancy rate for 2004 exceeded the national average of 61.3% and represented an increase of 4.4% over 2003. City of Crescent City Lodging Occupancy Rates:

2000	2001	2002	2003	2004
44.15%	44.29%	46.31%	42.77%	43.44%

Del Norte County's total earnings were $321 million in 2003. Of this total, 11.3% ($36 million) were travel-generated earnings. This figure places Del Norte County seventh from the top among the California counties for percentage of total earnings that are travel-generated. That we have no discernable growth and have lost jobs in the tourism industry, yet still rank seventh of 57 counties, may indicate that we have maximized our infrastructure that supports tourism. The counties with a higher percentage of travel-generated earnings all have lower total earnings than Del Norte County.

Of the counties with a higher percentage of travel-generated earnings, the top three--Mariposa, Mono, and Alpine—have some important similarities to Del Norte County. They all have a significant percentage of publicly owned land and they all have relatively low total earnings:

- Publicly owned land encompasses 52% of the total land in Mariposa County, which has 37% of its total earnings generated by tourism. These lands include Yosemite National Park.
- Publicly owned land encompasses 94% of the total land in Mono County, which has 33.9% of its total earnings generated by tourism.
- Publicly owned land encompasses 93% of the total land in Alpine County, which has 20.6% of its total earnings generated by tourism.

Del Norte County's 11.3% Travel-Generated Earnings indicates our economic dependence on the tourism industry. As mentioned above, the lack of growth in this industry could indicate that we have maximized our infrastructure that supports tourism and have reached our tourism industry potential. Our hotel occupancy rates dispute this theory. It is more likely that we have peaked our returns from our limited investment in the travel and tourism industry.

Economic development organizations and Chambers of Commerce across the country frequently incorporate visitor promotion material into their efforts to attract small business relocation. To address concerns about having an economy weighted toward tourism, it is important to note that the same community features that attract tourists also attract small business owners. For example, downtown revitalization and beautification are community efforts that appeal to both tourists and successful small business owners. Economic development organizations could lead an effort to promote small business relocation to our area using similar information to the tourism industry information.

Currently, private businesses such as Trees of Mystery, Klamath River Jet Boat Tours, and Ocean World are investing in tourism

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marketing to benefit their individual businesses and the overall community. The Historical Society, a nonprofit organization, promotes The Battery Point Lighthouse through meaningful marketing investments. Local businesses contribute $45,500 in Chamber dues for general local business support. To support the Visitors Bureau, the City of Crescent City contributed $36,000 and the County of Del Norte contributed $22,340. Our community is making some efforts for economic development and growth but has not yet approached the recommended $200,000 level of investment made by Del Norte County Jobs/Housing Balance Strategy or the $220,000 recommended by the Crescent City/Del Norte Chamber of Commerce.

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Current Travel Trends

What Is Our Current Visitor Profile?

The Del Norte County Visitor Spending by Type of Traveler Accommodation profile as reported by California Travel Impacts by County shows the following.

Visitor Spending by Type of Traveler Accommodation

Hotel/Motel	29.1%
Private Campground	36.5%
Public Campground	2.6%
Private Home	12.9%
Vacation Home	2.4%
Day travel	16.5%

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Who Visits National Parks?

According to a 2004 study conducted by the Travel Industry Association of America (TIA), nearly 40% of all adults in the United States have visited a national park at least once in the past five years. In addition, 20% of international visitors included a trip to a national or state park in 2002. Most travelers who visit national parks are highly satisfied with their park experience (93%). U.S. park travelers say they are drawn to national parks to experience nature (92%), for the educational benefit (90%), to experience culture and history (89%), and to spend time with family (89%). There is an extensive range of activities that national parks travelers enjoy, including outdoor sports (44%) and recreation (39%), general tourism and sightseeing (39%), water recreation (17%) and National Park Service programs (11%).

How Do People Plan Travel?

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The Internet is by far the preferred method (38%) of planning a trip including a park visit. Not surprisingly, Generations X and Y (47%) and Baby Boomers (41%) are much more likely than Matures (27%)

to use the Internet to plan, as are those with an annual household income of $75,000 or above (48%). And while nearly half (47%) of travelers visiting national parks plan their trip one month or more in advance, 25% do not decide where they are going to stay before their visit. (Multiple responses allowed.)

Do We Have What Travelers Want?

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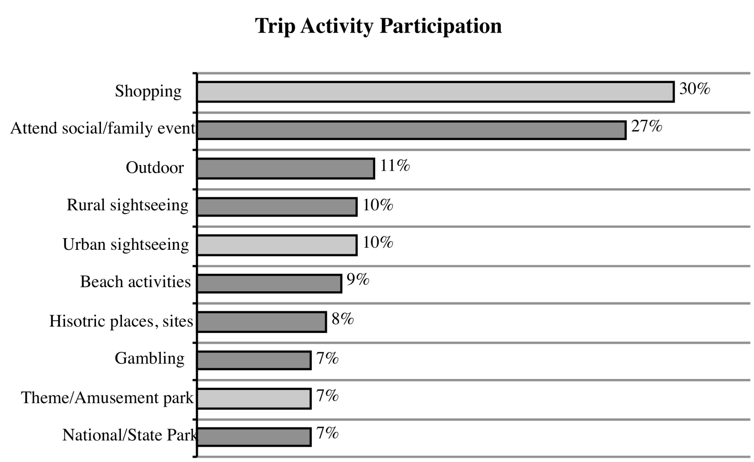
According to the TIA, the leading activity among travelers making a domestic trip was shopping. Certainly, Del Norte County is not going to attract travelers whose main interest is shopping. However, engaging in outdoor activities ranked third on the TIA list; rural sightseeing ranked fourth; beach activities, sixth; historic places, seventh; gambling, eighth; and visiting national/state parks, tenth. These are all travel industry assets of Del Norte County.



Should We Consider Alternative Investments?

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Land ownership can significantly affect the economic development potential of an area. Counties with a high percentage of publicly owned land tend to have fewer development opportunities than counties that are predominantly privately owned. While there are other economic development initiatives in Del Norte County, there are none with the potential of the travel and tourism industry for our region. We have many assets desired by today's tourists and we have no better investment options at this time.

Are We In A Low-Performing Region?

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Following is a comparison to Humboldt County, which is selected because comparable data categories are available from California Travel Impacts by County, and because Humboldt is our neighboring county with many similar travel and tourism industry assets.

1992	1998	1999	2000	2001	2002	2003
Total Direct Employment Generated by Travel Spending in Humboldt County: 150 Fewer Jobs						
4,700	4,550	4,840	4,850	4,620	4,280	4,550
Total Direct Tax Receipts Generated by Travel Spending in Humboldt County (Million)						
11.6	13.5	14.3	15.0	14.9	15.3	15.4
Travel Spending by County, Humboldt 31% Increase in 10 years						
189.5.	212.5	228.5	241.6	240.1	244.3	248.6

Del Norte traveler spending has grown approximately 24% in the past 10 years.

Humboldt traveler spending has grown approximately 31% in the past 10 years.

There is no value in a comparison of total direct tax receipts or total spending for travelers in Humboldt and Del Norte Counties because the size and the capacity of the two counties are vastly different. However, both counties should have shared experiences based solely on travel industry changes because they have similar assets and are in the same region. Del Norte County has a geographical disadvantage in attracting more visitors from the inland communities of Shasta, Siskiyou, and Tehama Counties, and it has a geographical advantage in attracting visitors from the Rogue River Valley that extends inland to Klamath Falls.

The most likely reason Humboldt County is experiencing more tourism industry growth than Del Norte County is because it is making an investment in this industry.

The Humboldt County Visitor and Convention Bureau's annual budget is $505,000; 80% of the funding is provided by TOT revenues collected by the City of Eureka, other municipalities, and the County of Humboldt. This system provides the VCB with a stable funding base and certainty about its annual budget for events and promotional activities. The remainder of the VCB budget is earned through memberships and advertising sales.

The additional 7% growth experienced by Humboldt County, if applied to Del Norte County, results in an additional $112,000 in local taxes in Del Norte County based on the $1.6 million in local tax receipts for 2003 reported in California Travel Impacts by County.

There are many ways to measure the impact of the tourism industry in a community. They must all be used with caution. According to Best Practices, measuring Return On Investment should be past-oriented. It is not a reliable predictor of the future. Additionally, there are other, immeasurable benefits and costs of increasing tourism.

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Immeasurable Benefits of Increasing Tourism

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- New jobs (partially measurable)
- Expanded economy (partially measurable)
- Clean industry
- Investment opportunities
- Supports public facilities
- Boosts local businesses
- Promotes variety of activities and lifestyles

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- Encourages civic involvement and pride
- Provides cultural exchange between hosts and guests
- Fosters conservation and preservation of natural, cultural, and historic resources
- Encourages community beautification and revitalization

Immeasurable Costs of Increasing Tourism

- Seasonal, lower-paying jobs is a cost only if permanent, higher paying jobs are converted to lower paying, part-time jobs.
- Higher taxes/user fees for residents
- No guarantee of success
- Seasonal markets
- Higher public maintenance costs
- Conflict between lifestyles of visitors and residents
- Crowding and congestion
- Competition for available services, facilities, and existing recreation opportunities
- Degradation of quality of sensitive natural or historic sites
- Increase in litter, noise and pollution

Summary of Findings

The Del Norte County Tourism Industry Baseline

- Travelers spent $8.94 million in Del Norte County in 2003.
- Local TOT receipts totaled $1.6 million in 2003.
- Del Norte County's total earnings were $321 million in 2003. Of this total, 11.3% ($36 million) were travel-generated earnings.
- The total direct employment generated by travel spending was 1,760 tourism industry–related jobs in 2004.
- Our tourism industry assets match travel and tourism trends.
- Crescent City hotel occupancy rates were 43% in 2005.
- The Chamber of Commerce's current marketing budget is $26,650.

The numbers indicate that we are not promoting the successful expansion of the tourism industry; therefore, we are not meeting a key economic development goal.

Tourism is the only industry that offers immediate economic expansion opportunities. We have tourism industry assets that appear to be underutilized.

If the City of Crescent City and the County of Del Norte would like to see an increase in the travel and tourism industry, all indicators suggest an investment in the industry is likely to increase Transient Occupancy Tax revenue beyond the initial tax investment. If the City and County choose to invest in the tourism industry, recent industry standards for measuring Return On Investment should be required of the Destination Marketing Organization as outlined in Part III of this report.

Part II: The Chamber as a Destination Marketing Organization

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Organizational and Reporting Recommendations

If the City of Crescent City and the County of Del Norte choose to invest in the tourism industry, the Tri-Agency Economic Development Authority can be instrumental in establishing a public/private partnership to maximize success and assure accountability.

The Crescent City/Del Norte Chamber of Commerce, an organization with tourism marketing experience, private business support, and an established organizational structure, is the natural Destination Marketing Organization in which to invest public funds. The Chamber has already demonstrated its willingness to lead this effort for our community and has established itself as a responsible steward of public funds.

Visitor Bureaus generally are one of four types:

- An independent, incorporated, tax-exempt organization.
- A division of a Chamber of Commerce (separate Board of Directors.)
- A division of a Chamber of Commerce (same Board of Directors).
- A division of city/county government, with possible oversight by the CEA for the Tri-Agency.

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As the Chamber has demonstrated willingness, we recommend that the Visitors Bureau becomes a division of the Chamber with the same Board of Directors. As such, the Chamber would maintain a fiduciary responsibility to be consistent and transparent when reporting its performance to all stakeholders according to generally accepted accounting practices and industry Best Practices. The Chamber would be able to provide the solid documentation necessary, which would include demonstrating the tourism marketing program is a sound investment of tax dollars using the $1.50 returned for every $1 in local funding, as explained in Part IV of this White Paper.

Potential Activities and Partnerships

Memberships

The fundamental mission of the membership function is to generate revenue and create partnerships for a visitors bureau by guiding and educating members on how to use the bureau to gain access and exposure to the travel and tourism marketplace. The membership function secures the commitment of the private sector to the visitors bureau. When public funds support a visitors bureau, private investment capital through membership is not required or generally recommended.

Convention Bureaus

Many visitors bureaus are also convention bureaus, hence the acronym VCB. We do not have at this time the minimum community resources, such as a convention center, to support a convention bureau.

Travel Trade Sales Function

Visitors bureaus often have a travel trade sales function to increase leisure visitor volume, visitor spending, and economic impact for the destination through the promotion and distribution of the destination's travel products to the travel trade. Our current visitor profile and regional travel trends indicate this function is a viable community investment.

Marketing and Communications Function

The fundamental mission of the marketing and communications function is to increase visitor volume, visitor spending, and economic impact for the destination by developing awareness and preference. Our current evaluation of community assets demonstrates we currently have capacity for increased visitor volume and that this is a viable community investment.

National Partnerships

The Heritage Tourism Partners for Tourism Promotion provides a directory of resources, the Cultural Heritage Tourism Resource Manual, compiled by the National Trust for Historic Preservation. Partners in Tourism is a coalition of cultural service organizations, the travel industry, and federal agencies that provides a forum for collaborative research, education, promotion, and advocacy with the common goal of advancing the role of culture and heritage in the travel and tourism industry.

The following list of potential partners may provide additional resources to assist Del Norte County in strengthening its tourism and travel industry. These organizations should be contacted and partnerships should be fostered when appropriate, but these potential funding sources are not reliable or consistent and should not be considered in the funding balance. If the DMO formed partnerships with these organizations, they would typically be targeted toward a specific program or event.

National Partners in Tourism:

- Alliance of National Heritage Areas
- American Association of Museums
- Americans for the Arts
- Cultural & Heritage Tourism Alliance
- Federation of State Humanities Council
- National Assembly of State Arts Agencies
- National Association of African American Heritage Preservation
- National Conference of State Historic Preservation Officers
- National Geographic Society National Trust for Historic Preservation
- Travel Industry Association of America: Tourism Works for America

Corresponding Federal Partners in Tourism

- Advisory Council on Historic Preservation
- National Endowment for the Arts

- National Endowment for the Humanities
- Institute of Museum and Library Services
- President's Committee on the Arts and Humanities
- U.S. Department of Agriculture
- Forest Service
- Natural Resources Conservation Service
- U.S. Department of Interior
- Bureau of Land Management
- National Park Service

Part III: Using Industry Standards for Evaluation

Establishing Performance Measures

Why Accountability Is Critical

Accountability has truly become an integral part of DMOs. Stakeholders are increasingly asking their visitors bureaus to show that they are effectively using their resources to generate the greatest possible return on investment to the local community—the ultimate stakeholder. The Handbook advocates that any visitors bureau accepting public funds has a fiduciary responsibility to be consistent and transparent when reporting its performance to all stakeholders.

Accordingly, the Del Norte County's Visitors Bureau must be called upon to provide quantified measures of performance to the community.

We recommend implementing industry standards from the Handbook, which provides bureaus with a systematic, business-minded approach to internal performance assessments. These assessments are necessary to guide the decision-making process for resource management and allocation, sales and marketing campaign development, and staff training and development. Performance reporting also gives bureaus benchmarks and a platform by which they can clearly articulate their contributions to their stakeholders and the local community.

Initial Steps

The Del Norte County Visitors Bureau, following best accountability practices, should complete these steps:

Step 1: Adopt a mission statement--a broad comprehensive statement of the Visitors Bureau purpose;

Step 2: Identify program goals and objectives that support the mission;

Step 3: Develop performance reporting measures that would reflect and therefore validate the Visitors Bureau's mission, goals, and objectives. Prevailing categories of performance reporting measures include marketing effectiveness research and inquiry conversion studies.

An Overview of Marketing Effectiveness Studies

The ultimate measure of marketing productivity is the number of individuals whose visit to Del Norte County was clearly and significantly generated by the Visitors Bureau marketing efforts. As a best practice, if a Destination Marketing Organization spends a significant amount of its budget on marketing efforts, it must then be prepared to invest in the research necessary to accurately and credibly measure the effectiveness of those efforts.

The Conversion Study: A common research method to measure visitors generated by a Visitors Bureau is the conversion study, which determines the percentage of individuals responding to a specific Visitors Bureau marketing effort who eventually visit the destination. One of chief failings of conversion studies in the past was that they failed to exclude individuals who had already decided to come to the destination before they contacted the Visitors Bureau. As a result, conversion study results tended to overstate the number of visitors generated by the particular marketing effort being reviewed. Modified conversion studies that address this issue can assist the Visitors Bureau in determining the productivity of their marketing efforts, as can other research methodologies. As a starting point, it is recommended that the Visitors Bureau initially focus on conversion studies and advertising effectiveness research.

Inquiry Conversion Measurement: Conversion is the number of "inquiries" produced by the Visitors Bureau marketing efforts in relation to generated visitors. Inquiries can include:

- Individuals who went to a Visitors Bureau website address in response to a specific marketing effort;
- Individuals who requested visitor information via phone;
- Website user sessions of a certain minimum length or user sessions for travel-specific pages;

As a best practice, the Visitors Bureau should incorporate in its initial program setup a step where three pieces of information are collected from the inquirer:

- How the inquirer found the phone number/website address of the destination (lead source) before they contacted the Visitors Bureau;
- Whether the individual had already decided to come to the destination before contacting the Visitors Bureau;
- Permission to re-contact for a follow-up survey.

This information will assist the Visitors Bureau in ultimately determining whether the inquiry turned into a visit to the destination and whether the visit was generated by the Visitors Bureau's efforts. The inquiry conversion ratio is the number of visitors generated by the Visitors Bureau marketing efforts divided by the number of inquiries generated by the Visitors Bureau marketing efforts.

Initial Program Evaluation

Formal program evaluation in the eleventh month is recommended. Results should be used to formulate new strategies and modifying existing ones. First, evaluate the process:

- Did the Visitor Bureau strategies match the target market segments?
- Were the time lines realistic?
- Does the monitoring system measure what it needs to know?

- How close was the Visitor Bureau budget estimates to the actual costs?

Next, evaluate the results:

- Did you accomplish what you set out to accomplish?
- What quantitative measures indicate you achieved your goals, or made progress toward them?

Were there some unexpected problems that produced lower results than expected? These could include events beyond your control, such as bad weather or closure of a highway.

Specific Guidelines for Measuring Return On Investment

The *Handbook* recommends that a Visitors Bureau use standard business Return On Investment measurements to quantify its financial impact on the local community. While ROI is not the only valid objective of tourism marketing programs, the Chamber should choose ROI as a performance measure because it is quantifiable and has the potential to determine whether an investment in the travel and tourism industry is valid.

The standard Best Practices guideline on ROI was provided by Tiffany Urness, Research Manager, California Tourism.[5]

The Visitors Bureau should consult and use the ROI definitions and formulas recommended in the *Handbook.* ROI formulas examine the return from the investment made by an organization, conceptually represented by the simple ROI formula below:

$$\text{Return on Investment} = \frac{\text{Amount of Return (income)}}{\text{Amount of Investment (expense)}}$$

For a Visitors Bureau, the amount of return is typically what the Bureau returned to the destination (visitor spending, economic impact, tax dollars), clearly and significantly generated through its marketing efforts.

[5] *This guideline was updated in December 2005 and was written by the State/Provincial Travel Researchers ROI Subgroup: Tiffany Urness (Lead), California Tourism; Caroline Andersen, Hawaii Tourism Authority; Betsy Gabel, Washington State Tourism Department; AnnDee Johnson, Arizona Office of Tourism; Mark Northington, Louisiana Office of Tourism; Ruth Trojan, Nadler & Associates, LLC; Tom Vanhyning, Mississippi Development Authority. The full report is included in the Appendix Compact Disk.*

Calculating Advertising Return On Investment

Two prevailing methods for determining destination advertising effectiveness and ROI are: (1) surveys of households or individuals in markets exposed to advertising and who resemble the targets of advertising; and (2) surveys of persons who contacted the destination in response to advertising. We recommend using the second method because it is easier to measure. Prevailing survey methods include use of the World Wide Web, phone, or mail, or a combination of phone and mail. When undertaking survey research, the Visitors Bureau should seek the largest sample size and smallest margin of error it can afford, taking turnaround factors into account. A web-based ROI study, for example, could be more cost effective with more rapid turnaround time than a phone or a mail survey.

For advertising-related ROI purposes, only those tourist/visitor expenditures of parties who visited the Visitors Bureau and/or extended their stay and sought additional information after being exposed to advertising can be considered to have been influenced or potentially influenced by advertising. These would generally be considered as total, or gross, impacts. Net impacts from "incremental dollars" should include only those expenditures that were not likely to have occurred without advertising. Studies should clearly distinguish between total (gross) impacts and incremental (net) impacts.

A research method frequently used to determine what consumers remember about an advertisement they have seen or heard is Ad Recall. The percentage of consumers surveyed who recall an advertisement can be used in the method to determine advertising ROI.

Studies should describe what are included as advertising costs: generally, all costs for placement of ads in any media used in advertising campaigns. In addition, depending upon the type of promotion being measured, advertising ROI costs may also include the expense of physically preparing a print or broadcast advertisement, and any fees associated with the management and administration of the advertising, such as the cost of a media-buying service and ad agency administrative fees. To determine the ROI relative to the funding source, these expenditures must be translated into tax/general fund dollars for ROI purposes. Visitors Bureaus funded through tax dollars can estimate tourism's portion of the tax dollars attributable to advertising.

Calculating Fulfillment Return On Investment

Fulfillment, the literature distribution response of the Destination Marketing Organization to a request for information, is traditionally measured by identifying a conversion rate. A conversion study is conducted to determine the conversion rate. Once a conversion rate is determined, ROI can be calculated.

The gross conversion rate is usually determined by surveys of inquirers and is expressed as the percentage of individuals requesting information who actually visit Del Norte County. Visitors included in the gross conversion rate are those who report that they have been influenced by marketing or publications to visit Del Norte County and/or lengthen their stay. The net conversion rate includes those in the gross conversion rate whose decision to stay or lengthen their stay in Del Norte County would not have come about in the absence of the marketing activity to which they were exposed.

Following is a simplified example of conversion rate:

If, out of 500 completed surveys of inquirers,

> 125 Households generated an estimated 250 person-trips after receiving information; and of those;
>
> 25 Households were somewhat influenced by the Visitors Bureau, and generated 50 person-trips;
>
> 15 Households had not already decided to visit before receiving information; and generated 30 person-trips.

Therefore:

> 250 people visited Del Norte County of the 500 who were contacted, or 50%, is the gross conversion rate;
>
> 50 people report they were influenced/500 were contacted, or 10% is the adjusted conversion rate;
>
> 30 people decided to stay or increase their stay in Del Norte County because the information was provided/500 were contacted, or 6%, is the net conversion rate.

Example for Calculating Return On Investment

The Visitors Bureau completes 150 fulfillments. Based on the net conversion rate of 6%, which is determined by direct inquiry, 9 people visited Del Norte County.

Fulfillment ROI "Amount of Investment" should include costs for producing publications such as the Visitor Guide along with costs for distributing the Guide or other information to potential visitors. "Amount of Return" should be calculated by the average expenditure per visitor.

If a single fulfillment costs $2, then $300 is the investment.

If the conversion rate is 6%, then 9 people visit; 3 spend the night and 6 spend the day only: 3 x $69.40 plus 6 x $61.08 = $574.68. The nine visitors generate $575 in return.

Note: This model demonstrates the formula and has no basis for actual conversion rates or number of fulfillments. The average expenditure per visitor, explained below, is calculated according to the direct advice of Ms. Urness. An alternative calculation method could be adopted. It is helpful and increases credibility if the method adopted uses available and annually updated data such as *California Travel Impacts by County* and *California Domestic Travel Report*. Return On Investment is past oriented because what is measured is what happened in response to past activity. It is not a reliable predictor but it can serve to help set reasonable objectives.

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Baseline measurements should be taken and annual measurements should be tracked following the formula from the baseline. ROI should only be calculated from the results of specific activities over an initial time frame, compared with resulting visitation attributable to those activities during a subsequent time frame.

ROI should be reported in the same terms as the investment to be justified. Therefore, if the investment was stated in tax dollars, then the "return" should be in tax dollars or general fund dollars generated. In 2003, our total direct spending was $84.9 million and our total local tax receipts were $1.6 million, or 1.88% of total expenditures equals our local tax receipts.

Different Return On Investment numbers are possible for different stakeholders. The Crescent City and Del Norte County governments will expect ROI stated in tax dollars. Economic development groups will want to see regional spending impacts.

The ROI number is not the focus; rather, the percentage of change is the measure of success. We will only be able to determine the percentage of change by systematic measurement using standard accounting practices as recommended by the travel and tourism industry.

Considering Statewide Return On Investment

The "California, Find Yourself Here" advertising campaign, including television, radio and print mediums, has generated a strong return-on-investment (ROI). According to the California Travel and Tourism Commission, the conservative measure of the immediate short-term/incremental impact of the domestic advertising campaign alone indicated that each $1 in advertising generated $4.35 in additional tax revenue for the state. Additionally, the Commission determined that the cumulative total of long-term influenced travel could be as high as $19.46 in tax revenue for each $1 of advertising expenditures (directly influenced

4.9 million visitors, totaling $1.99 billion in travel and tourism spending, and $80.1 million in tax revenues -- $19.46 to $1 ROI). When asked exactly how these figures were acquired, the Commission provided the following chart:

Impact of Incremental Travel	
463,115	Incremental travelers: Number of visitors recalling the ads and traveling to California who had not already planned to travel.
$215,636,597	Estimated spending in California by incremental visitors
$1,996,070	Campaign cost in markets showing incremental gains[6]
$215,636,597/$1,996,070 =$108	For every $1 spent on campaign in A & B markets, incremental travelers spent $108 in state
4.03 %	Average portion of visitor expenditures that comes back to the state in sales, income, motor fuel and other sources, generated by 2003 ad campaign, per Advertising Effectiveness Study by SMARI and Dean Runyan Assoc.
$215,636,597 x 4.03% =$8,690,155	State tax revenues from incremental travelers derived from total rate of state tax benefit from travel-related spending .
$8,690,155/$1,996,070 =$4.35	For every $1 spent on campaign in A & B markets, incremental travelers generated $4.35 in state tax revenues.

Other Performance Measures for Marketing Programs

Following are methods for determining the performance of various Visitors Center marketing activities. They are not, however, measurements of ROI because they do not determine visitor spending or tax generated by visitor spending that is attributable solely to the Visitors Bureau marketing program.

Return on Travel Trade Sales Function: A method for measuring the value of travel trade sales by dividing visitor spending generated by the Visitors Bureau's travel trade sales program by the operating costs of the Visitors Bureau's travel trade sales program.

Return on Marketing and Communications Function: A method for measuring the value of the marketing and communications function by determining the advertising equivalency of media coverage generated by public relations activities.

Calculating Average Expenditure Per Visitor

The average expenditure per visitor in Del Norte County has not been determined up to this point. Tiffany Urness, California Travel and Tourism Commission, recommends that we estimate the average expenditure in the following way:

According to Smith Travel Research, California visitors paid an average daily room rate of $102 in April 2005. The average daily rate in Del Norte County is $57. Therefore, the Del Norte County average room rate is 56% of the California average room rate.

The following figures, provided by California Travel and Tourism Commission, are from the California Domestic Travel Report.

> *The California average travel spending per person per day in 2004 was $124.*
>
> *The Del Norte County rates are 56% of statewide room rate averages. A low estimate for average daily spending per traveler in*

Del Norte County is 56% of the statewide average of $124, which is $69.40 per person per day in Del Norte County for an overnight traveler.

The proportion of total expenditures per person for lodging is 12% of the total spending: 12% of $69.40 = $8.32. Hence, a day visitor spends $61.08. (Note: 24% of travelers visit family or friends. Many overnight visitors do not pay for accommodations.)

If one person stays one day and night the direct revenue is $69.40.

If one person stays one day, the direct revenue is $61.08.

Calculating Multiplier Effect

According to the Western Rural Development Center at Oregon State University, research on rural tourism has determined a realistic multiplier effect to be 0.3 to 0.5, meaning that every dollar spent by a tourist results in $0.30 to $0.50 in local income. The multiplier effect is not a reliable measurement because it is based upon a multitude of assumptions. It is, however, the most valid guideline currently available. We should calculate the multiplier effect in our overall consideration of the validity of tourism marketing as a public investment, but it should not be included in our ROI measurement.

According to the calculations above, our day/night visitor spending is $69.40. We recommend using a multiplier effect of $0.30 because most items purchased in our community are not produced in the community. Therefore, based on the multiplier effect, $20.82 per visitor is added to the local economy.

Part IV: An Academic Exercise for Del Norte County

The following section, pages 36 to 43, is unedited except for the addition of Del Norte County to the tables. It was provided by the California Travel and Tourism Commission.

In Support of Destination Marketing: Building Credibility

Destination marketing organizations (DMOs) such as visitor bureaus and chambers of commerce used to be reasonably successful at making their case for an annual allocation of city or county funds based on 1) the importance of tourism to the community; and 2) the excellence and thoroughness of their marketing activities.

Today, due to the budget shortfalls of so many local governments, together with the adoption of modern management methods, justifications need to be more rigorous. They are expected to contain well-stated objectives, measurable results, and clear standards of cost-effectiveness. This article, the first in a series, proposes the steps that convention and visitor bureaus, chambers of commerce and other DMOs can take to set up credible measures of the effectiveness and value of their programs.

As we have stated before, the Division of Tourism recommends **against** using county tourism impact estimates to validate marketing program effectiveness. Instead, measures should be adopted which meet the following three tests:

ONE: Goals and objectives should include outcomes that are quantifiable, reflect actual visitor behavior, and specify a time frame.

Would publishing 100,000 brochures be considered a quantifiable objective? As an output, yes; as a result, no. Examples of quantifiable goals and objectives that would reflect the results of an effective marketing program include:

- Increase total visitor volume by 5% within two years.
- Increase visitor expenditures by 5% within two years.
- Increase average length of stay by a half-day within two years.
- Increase off-season business by 10 percent within 3 years.
- Increase transient occupancy taxes (TOT) by 10% within 3 years.
- Increase occupancy rates by 1 percentage point within 2 years.

TWO: Results should be clearly and logically traceable to deliberate marketing actions.

It's no longer sufficient to show that TOT or visitation increased. To make a clear case, you need to show that your actions generated visitation that wouldn't have occurred anyway. As economists would say, you need to demonstrate the *marginal impact*. To do this, you need to have benchmarks. If you are just starting a program, or expanding in any significant way, it's especially important to document the "before" situation. If your budget allows, consultants will set up and implement the necessary data collection procedures. Or, given proper guidelines, students and volunteers can often handle the following tasks:

- Conduct an inventory of all bona fide visitor accommodations, including total number of rooms, average occupancy rate by season, average number of guests per room, average room rate, percent leisure vs. convention/business.

- Compile attendance figures for attractions, wineries, museums and special events, going back as many years as possible. Note any information they may have on actual numbers or estimated percentage of attendees from out-of-town.

- Track visitor inquiries and walk-ins.

THREE: The return to the community or region directly attributable to marketing activities must be greater than the cost of the program.

The most compelling way of demonstrating the value of your marketing program is to show that it has a positive Return on Investment (ROI). This concept is borrowed from other industries in which funds invested are compared to net proceeds.

One approach is to first determine what ROI would be reasonable for your organization. You then provide substantiation for selected activities, preferably those that account for a large proportion of your budget. This requires that you calculate the visitor spending necessary to yield local tax revenues exceeding your budget by a sufficient margin, and show that your programs were responsible for attracting a volume of incremental visitors that would produce those expenditures.

For example, if you are trying to satisfy your city or county officials that your tourism program is a sound investment of tax dollars, how many dollars of return would they expect for each tax dollar invested? Usually, $1.50 to $3 returned in local tax revenue for every $1 in local funding would be considered very reasonable.

Once you have your target ROI, multiply the ROI by the annual budget of your program. For example, if your budget is $250,000 and you need a ROI of 2:1, you need to demonstrate that the program generates $500,000 in tax revenue. If your budget is $500,000, you need to demonstrate that your program generates $1 million in tax revenues.

TABLE 1

Program Budget	Desired ROI	Tax Revenue Program Must Generate
$250,000	1.5	$375,000
$250,000	2.0	$500,000
$250,000	2.5	$625,000
$250,000	3.0	$750,000

Now that you know how many tax dollars your program needs to generate, the next thing you need to know is how many dollars of travel spending it takes to generate that level of tax revenue. For this answer, The Division of Tourism's California Travel Impacts By County can help. Using this publication, look up your county's local tax receipts and travel expenditures. We'll assume that even if your DMO represents a city within the county, the county figure will be the most appropriate here.

Divide the local tax receipts figure for your county by the travel expenditures for your county. This will give you the **average amount of local tax revenue generated for each dollar of travel expenditure in your county in 1994**. The statewide average for 1994 was $.0178. Using this statewide figure and the example from TABLE 1 you would need to generate $35.1 million dollars in travel expenditures to generate $625,000 in local tax revenue ($625,000 /.0178) to give you a Return on Investment of 2.5:1. Using California Travel Impacts by County, 1991-1994 , we have selected the tourism marketing programs of Anaheim/Orange County, Mariposa County, and Plumas County to demonstrate this calculation. See TABLE 2, below.

TABLE 2

County	Local Tax Receipts	Travel Expenditures	Average Tax Revenue Per Dollar of Tourism Spending
ORANGE	$87,670,000	$3,548,830,000	$.0247
MARIPOSA	6,820,000	317,650,000	.0215
PLUMAS	1,660,000	136,540,000	.0122
DEL NORTE	1,600,000	84,900,000	.0188

Next, calculate the **incremental tax revenue your program must generate** by multiplying your target ROI by your marketing budget. To demonstrate this calculation we'll use our sample counties from TABLE 2 and give them imaginary budgets. We'll assume the Anaheim/Orange County Visitor and Convention Bureau has a tourism marketing budget of $1 million, that Mariposa's is $200,000 and Plumas County has $50,000 and that they need to demonstrate an ROI of 2.5:1. See TABLE 3 below.

***Note**: Del Norte added.*

TABLE 3

County	Marketing Budget	Return On Investment	Incremental Tax Revenue Program Must Generate
ORANGE	$1,000,000	2.5	$2,500,000
MARIPOSA	200,000	2.5	500,000
PLUMAS	50,000	2.5	125,000
DEL NORTE	220,000	1.5	330,000

Your next step is to calculate the **total travel expenditures your program must generate** to achieve the target level of local taxes returned. To do this, you divide your county's average tax revenue per dollar of tourism spending (which you figure out by putting **your** budget numbers in Table 2), into the tax revenue your program must generate (which you figure out by putting **your** budget numbers in Table 3).

TABLE 4 demonstrates this calculation for our sample counties.

***Note**: Del Norte added.*

TABLE 4

County	Incremental Tax Revenue Program Must Generate	Average Tax Revenue Per Dollar of Tourism Spending	Expenditures Program Needs To Generate
ORANGE	$2,500,000	$.0247	$101,214,575
MARIPOSA	500,000	.0215	23,255,814
PLUMAS	125,000	.0122	10,245,902
DEL NORTE	330,000	.0188	17,553,191

Now that you know how much spending your program must generate, you will need to know how many visitors at the current average length of stay and/or how many extra visitor days, it takes to generate that much spending. You can use the estimates in TABLE 5 below from Domestic Travel to California, 1994 (or the most recent) unless you have conducted your own visitor profile:

***Note**: Del Norte is considered a Small County.*

TABLE 5

	Average All CA	Residents	Non-Residents	Visitors to				Small Counties
				LA	SF	SD	Orange	
Average Per Person Daily Leisure Expenditure	$78	$68	$134	$91	$143	$76	$87	$71
Average Trip Length Including Day Trips	1.4	1.0	5.2	1.3	1.5	1.5	1.2	1.7

To determine the appropriate number of visitors a program needs to generate in order to achieve the desired level of spending, divide the total expenditures your program needs to generate by the average trip expenditure. TABLE 6 demonstrates this calculation for our sample counties.

TABLE 6

County	Total Expenditures Program Needs to Generate	Per Person Exp. X Av. Length of Stay = Av. Trip Exp.	Number of Visitors Program Needs to Generate
ORANGE	$101,214,575	$87 x 1.2 = $104.4	969,000
MARIPOSA	23,255,814	$71 x 1.7 = 120.7	192,000
PLUMAS	10,245,902	$71 x 1.7 = 120.7	85,000
DEL NORTE	17,553,191	$71 x 1.7 = 120.7	145,428

Now that you have estimated spending per visit and per day and how many visitors you need, your last step will be to identify and count visitors documented to have been influenced by your program. You can refine your estimates by calculating residents and non-residents separately, or even adding international visitors, depending on your ability to determine how many resulted from your marketing efforts. These are some of the methods you might use:

(We'll be discussing these methods in detail in future articles.)

- Tally of coupons redeemed
- Conversion Study, determining the number and expenditures of visitors who decided to visit your destination or extend their planned length of stay after receiving your travel literature (thus being "converted " to a visitor)
- Pre and Post Advertising Survey, to determine the number of visitors who weren't already planning a trip, but who decided to visit after being exposed to your advertising
- Hotel or attraction bookings that can be traced to your activities
- Motorcoach groups directly attributable to contacts made at trade shows, family tours, or through direct mail
- Measurable increase in certain targeted segments that would not have occurred anyway (such as a marked increase in bicycle tours after advertising for the first time in a cycling magazine)

Using this methodology to determine the results of your destination marketing program will provide the solid documentation you need to show its results and the data will stand up to the most difficult council or board. Try it.

Setting Goals and Predicting the Future

We are like new weather forecasters with new measurement standards. If we had experience and if we had data from the past, we could make reasonable weather predictions. Without established measurements standards and without experience, we are making educated forecasts for Return On Investment. The chance for miscalculating future Return On Investment is great. It does not reflect accepted industry recommendations. In the beginning, the chance for miscalculation is greatest because we are forecasters without experience or data.

Measuring Progress by Local Occupancy Rate

In 2003, our Transient Occupancy Taxes totaled $828,000 and our total local tax receipts totaled $1,600,000. The Transient Occupancy Tax represents approximately half of the total taxes collected from visitor spending. A conservative goal provided by the Chamber and confirmed by the California Travel and Tourism Commission is that with a $220,000 annual investment for four years, we will raise our local occupancy rates by 5 percent. (While we have a current growth rate for spending of 2 percent, our occupancy rates have remained unchanged.)

If we increase our travel and tourism industry tax receipts by an incremental 2 percent and we add to this the current growth rate of 2 percent, then we will see an increase in local taxes of $64,000, and $32,000 will be incremental change attributable to the marketing investment. This change can be indicated by an increase in hotel occupancy rates. However, due to the lead time required for planning, developing and disseminating information to coincide with the visitor travel decision-making process for peak and shoulder travel seasons, an incremental increase is more likely to be seen in the second year.

Our travel spending is currently $84.9 million. If we increase our travel spending by 2 percent in the first year, this adds $1,698,000 in travel spending to our local economy. Again, our current growth rate is 2 percent so the total travel spending would be $88.3 million.

If we apply the .30 multiplier – low because we do not manufacture most of our goods in the community – then the $1,698,000 would impact our community by an additional $509,400.

If we invest $220,000 of TOT dollars and this investment generates a 2 percent increase in travel and tourism spending, which can be indicated by hotel occupancy rates in the first year, then we will receive the following:

- An incremental return of $16,000 in TOT in the first year;
- An incremental return of $16,000 in other local tax in the first year;
- An additional $1,698,000 in travel spending to our local economy;
- An additional $509,400, based on a conservative multiplier effect, to our local economy.

Understanding the Discrepancy

The numbers reported above do not reflect the conservative measure of the immediate short-term/incremental impact of the domestic advertising campaign for California, which indicated that each $1 in advertising generated $4.35 in additional tax revenue for the state. (This Return On Investment was seen in some but not all markets according to the Travel and Tourism Commission.) This is yet another indication that any comparison is not valid. Establishing a measurement guideline and a baseline and then measuring progress from this baseline is the only way to determine the success of the investment.

The difference from our measurement model is that we are examining all expenses and calculating a return for a single year based on an entire budget, while California reports on specific investment strategies that are measurable. The State measures the specific investment and the incremental return of a single activity.

California does not include any operational expenses when calculating their investment. California has staff in buildings with equipment, telecommunications and electricity that are not included in the investment calculation. When California calculates tax they measure every possible form of state tax collected that can be attributed to the travel and tourism industry. What is important is that they have selected a method and that they measure by this same method annually.

Additionally, the California Travel and Tourism Commission determined that the statewide benefits to California's economy could be as high as $19.46 in tax revenue for each $1 of advertising expenditures (directly influenced 4.9 million visitors, totaling $1.99 billion in travel and tourism spending, and $80.1 million in tax revenues -- $19.46 to $1 ROI). Our Chamber has gathered and reported similar information to the City and the County in past meetings, which appears to be in direct conflict with the measurements in this report. There is no conflict.

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Through an improved understanding of the financial issues in the travel and tourism industry, we have learned that measuring Return On Investment must be past oriented. We have learned that the success of an advertising campaign must be measured by a single method and that increase over time must be the indicator of a valid investment. We have learned that California only measures specific activities, it calculates every possible tax and that it does not include any operating expenses in these measurements.

Reasonable Faith

Ms. Urness reports she has never seen a county attempt to analyze the validity of an investment in travel and tourism through such comprehensive and analytical methods in an attempt to predict future returns as we are doing in this White Paper. *Almost everybody goes on faith.* They have a general case and a political case and they do go on reasoning. This faith is not blind faith. It is a faith that with the right activities and sufficient resources, there will be meaningful returns. It is a faith based on experience, understanding

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of the travel and tourism industry and marketing. Applying business practices and Return On Investment measures to destination marketing efforts is still a new and largely untested idea.

Our community can benefit by our greater understanding of the best practices in the industry; however, like other communities, we must make a decision based on reasonable faith.

Conclusion

The Council recommends that the Crescent City/Del Norte Chamber of Commerce be the Destination Marketing Organization designated as the recipient of the public funds to prepare and implement an advertising and marketing plan.

The Council acknowledges there is no reliable way to predict future Return On Investment, and cautions against future projections as recommend by *Best Practices*. Many pose the question: What will happen in our community? The answer is that we do not know what will happen. The California legislature did not *know* either, yet through extensive evaluation, their economic analysts recommended the travel and tourism industry be funded because they believe the prospect for return is valid. Data indicates that the investment of public funds in this industry is sound. Our community can benefit by our greater understanding of the best practices in the industry; however, like other communities, we must make a decision based on a reasonable faith.

The Del Norte Council of Economic Advisors agrees with the California legislature and economists. The Council recommends a travel and tourism destination marketing plan for Del Norte County be supported with public funds.

The Council recommends that recent industry standards for measuring Return On Investment be required of the Destination Marketing Organization as outlined in the this report.

For More Information

The following documents are provided in a .PDF format on CD as attachments to this Economic Evaluation of Public Investment in Tourism Marketing by the Council of Economic Advisors, Del Norte County.

California Domestic Travel Report, 2004; Prepared by D.K. Shifflet & Associates Ltd. June 2005

Best Practices for Measurement of Destination Marketing ROI; The hallmarks of good studies and the generally accepted practices that produce them; Provided by California Travel and Tourism Commission

California Travel Impacts by County, 1992-2003, 2004 Preliminary State Estimates, March 2005; Provided by Dean Runyan Associates and California Travel and Tourism Commission.

Standard CVB Performance Reporting: A Handbook for CVBs, provided by Destination Marketing Association International and California Travel and Tourism Commission